

Financial Advisory Memorandum & Pricing Analysis

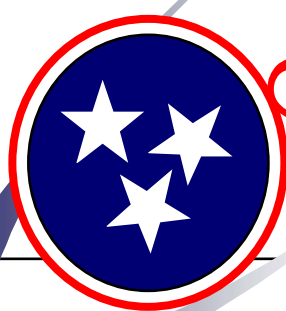
\$164,100,000

\$150,600,000
General Obligation Bonds
Series 2002 A

\$13,500,000
General Obligation Bonds
Series 2002 B (Taxable)

State

Pricing: January 31, 2002



of
Tennessee

presented by

Public Financial Management, Inc.

530 Oak Court Drive
Suite 145
Memphis, TN 38117-3722
901 682-8356
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January 31, 2002

Mrs. Mary-Margaret Collier, Director
Division of Bond Finance
State of Tennessee
James K. Polk State Office Building
505 Deaderick Street, Suite 1600
Nashville, Tennessee 37243

Dear Mrs. Collier:

Public Financial Management, Inc. ("PFM") in its role as independent financial advisor to the State of Tennessee (the "State") is pleased to have served the State with regard to the pricing of \$150,600,000 General Obligation, 2002 Series A Bonds (the "Series A Bonds") and its \$13,500,000 General Obligation, 2002 Series B (Federally Taxable) Bonds (the "Series B Bonds") (collectively with the Series A Bonds, the "Bonds") and to provide the State our opinion as to the appropriateness and fairness of the proposed sale of the State's bonds. The Bonds were offered for sale the morning of January 31, 2002 with the Series A Bonds being offered at 9:00 AM, Central Standard Time and the Series B Bonds being offered at 9:30 AM, Central Standard Time. The State received eight (8) bids for the Series A Bonds with True Interest Rates ranging from a high of 4.670595% to the winning bid of 4.621795%. A list of the bidders and their bids is shown below in Table One.

Table One

<u>Ranking</u>	<u>Firm</u>	<u>Bid Amount</u>	<u>True Interest Cost</u>
Winning Bid Cover	J. P. Morgan	\$155,700,219.60	4.621795%
	Morgan Stanley	\$156,263,326.40	4.624199
	Goldman Sachs	\$156,049,084.50	4.624289
	Merrill Lynch & Co.	\$156,195,166.50	4.632517
	UBS PaineWebber	\$155,524,469.40	4.632869
	First Union	\$156,110,755.20	4.655140
	Bear Stearns & Co.	\$156,834,312.90	4.657579
	Morgan Keegan & Co.	\$154,036,014.30	4.670595

The State received eleven (11) bids for the Series B Bonds with True Interest Rates ranging from a high of 6.540126% to the winning bid of 6.161013%. A list of the bidders and their bids is shown below in Table Two.

Table Two

<u>Ranking</u>	<u>Firm</u>	<u>Bid Amount</u>	<u>True Interest Cost</u>
Winning Bid Cover	Morgan Keegan	\$13,597,962.75	6.161013
	First Albany	\$13,448,700.00	6.168079
	BB&T Capital Markets	\$13,461,531.75	6.168773
	UBS PaineWebber	\$13,397,143.50	6.188898
	RBC Dain Rauscher	\$13,383,488.25	6.218483
	NBC Capital Markets	\$13,425,345.00	6.227074
	Griffin, Kubik,	\$13,391,385.75	6.247209
	Raymond James	\$13,482,571.50	6.254987
	Bear, Stearns	\$13,398,081.75	6.375329
	First Union	\$13,365,033.75	6.429508
	Wells Fargo Brokerage	\$13,365,040.50	6.540126

In its capacity as the State's financial advisor, PFM participated in structuring the Bonds and the preparation for the sale and has reviewed the interest rates and structure of the bids submitted by the investment banking team, senior managed by J. P. Morgan, in the case of the Series A Bonds, and Morgan Keegan & Co., in the case of the Series B Bonds, and found the structure of the bids to be in accordance with the Official Notice of Sale published by the State and the True Interest Cost of 4.621795% and 6.161013%, respectively, to be accurate and less than the TIC of any of the other bidders.

Table Three compares the TIC of the Bonds to eighteen of the State's most recent prior financings. In absolute terms, this was one of the State's most successful issues. For example, the TIC of 4.621% on the 2002 Series A Bonds is less than thirteen of the sixteen prior tax-exempt issues. The TIC of 6.161% is over one hundred basis points less than the State's prior taxable issue. The absolute level of the interest rates is a function of general market levels. Currently, tax-exempt rates are at historically low levels. Chart One below plots the Bond Buyer 20 G.O. Bond Index and the State G.O. bond sales since 1992. Closer examination of the 2002 Series A results relative to other issues recently in the market and relative to the State's prior sales suggest the 2002 Series A bonds were not priced as aggressively as prior State issues.

The first indication of the deterioration of the State's credit is the purchase of bond insurance by six of the eight bidders. The winning bidder, J. P. Morgan, purchased insurance on all but the first maturity of the bonds at a cost of \$281,546.70 to the State. The second indication of the deterioration of the State's credit is the relative level of interest rates on the 2002 Series A bonds compared to prior State issues. This is especially significant given the 2002 Series A bonds are insured and therefore rated triple-A by all three rating agencies. In gross debt service relative to the average Pre-1999 bond sale, the 2002 Series A bonds will cost the State and additional \$1,961,761.00. The total increased debt service and insurance cost will be \$2,243,307.70. Chart Two below plots the yield curve for the 2002 Series A Bonds relative to what the yield curve would have looked like if the issue was priced at the average level of the Pre-1999 bond issues.

Table Three

State of TN GO Issues	TIC	Underwriter
Series 2002A	4.621%	J. P. Morgan Securities, Inc.
Series 2002B (Taxable)	6.161%	Morgan Keegan & Co.
Series 2000A	5.021%	Merrill Lynch
Series 1999A	4.335%	Smith Barney & Morgan Keegan
Series 1999B	4.969%	Morgan Stanley
Series 1999C (Taxable)	7.441%	First Union
Series 1998B	4.532%	Merrill Lynch
Series 1998A	4.774%	Salomon Smith Barney
Series 1997B	5.461%	Morgan Keegan
Series 1997A	5.179%	J.P. Morgan
Series 1996C	4.528%	Goldman Sachs
Series 1996B	4.436%	J.P. Morgan
Series 1996A	4.806%	Goldman Sachs
Series 1995A	5.423%	J.P. Morgan
Series 1994A	5.339%	First Boston
Series 1992A	5.523%	J.P. Morgan
Series 1991B	5.563%	Kidder Peabody, Inc.
Series 1991A	6.130%	Goldman Sachs
Series 1989	6.582%	Northern Trust.
Series 1987	5.565%	Salomon Brothers

Chart One below plots the TIC of the State's ten year bond financing history relative to the Bond Buyer 20 Bond Weekly Municipal Bond Index on the Friday prior to each respective sale.

Chart One
Historical Interest Rates and State Bond Sales

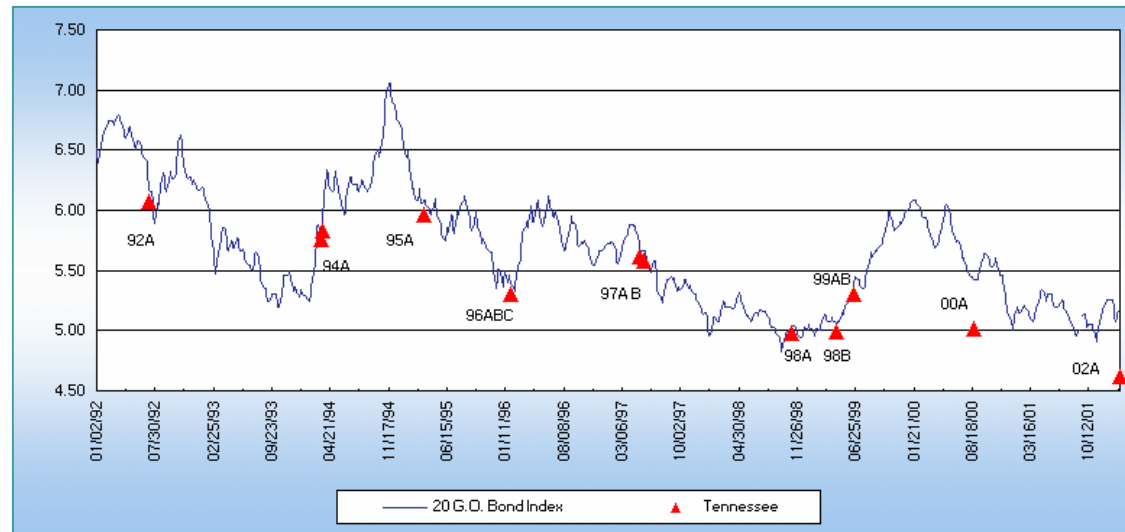
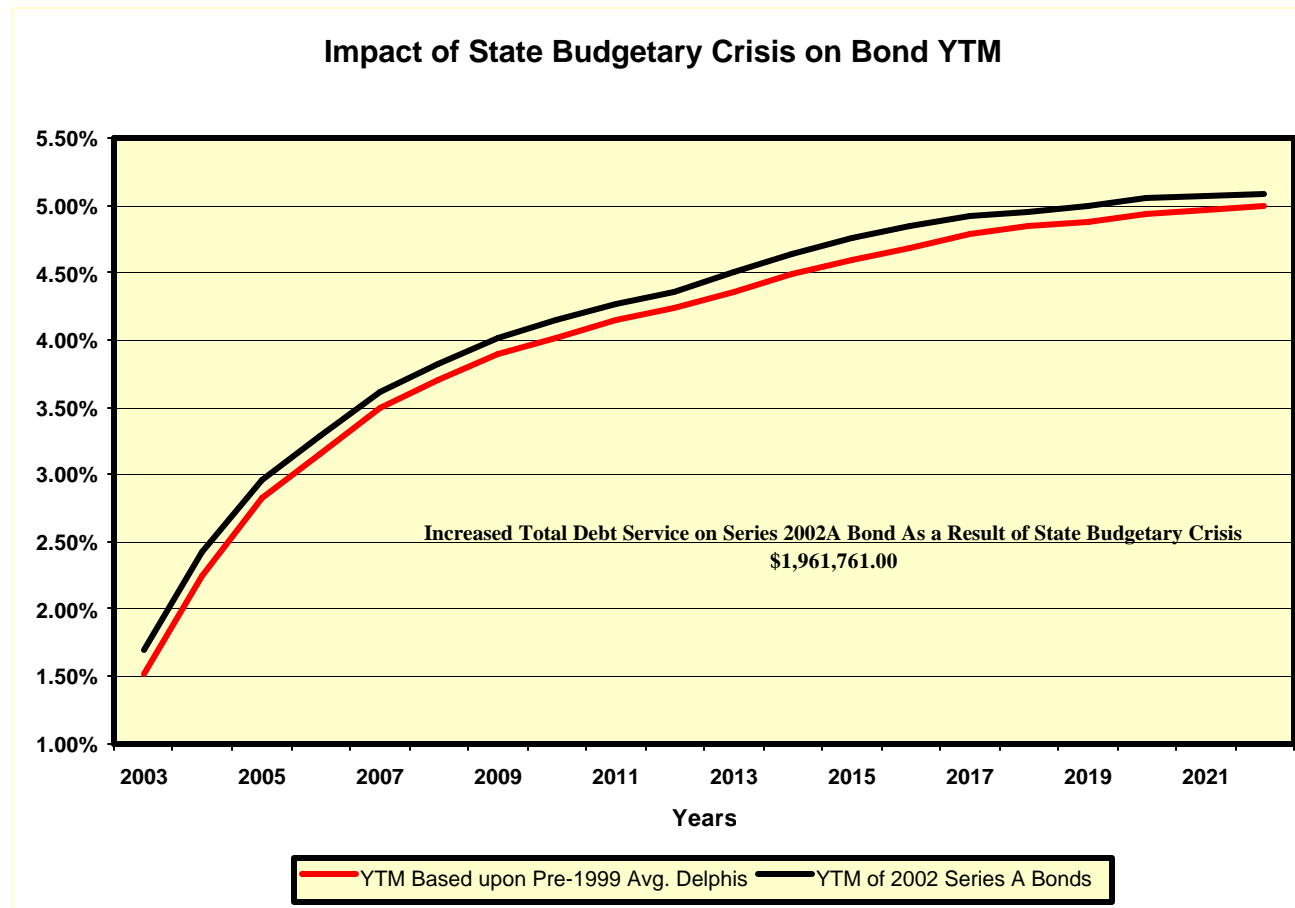


Chart Two



The graphs in Chart Two and the Table in Section I of this report suggest that the market is beginning to believe that the State will not solve the structural imbalance in its revenues relative to its expenditures and have increased significantly since 2002 the level on rates they are willing to accept for the State's debt relative to other state credits. Two of the three rating agencies have the State's debt rated double A with a negative outlook (See Tab IV for copies of the rating reports.) The State is currently rated in the mid double A by all three rating agencies. Failure to balance the budget at the end of this fiscal year without drawing down all the State's reserve funds and to enact a budget for 2002 – 2003 that at least addresses the structural imbalance in the revenues for a period of three to five years will most likely result in the State's general

obligation debt being downgraded to a low double A or high single A status. There are only two other states rated below the double A level, Louisiana and California. If this were to happen the State could expect another five to ten basis point increase in its level of interest rates.

J. P. Morgan's underwriter's discount bid on the Series A Bonds is \$3.32 per \$1,000 of par value and Morgan Keegan's underwriter's discount on the Series B Bonds is \$2.65 per \$1,000 of par value. Compared to other competitive financings PFM has seen in the market recently, we believe both of these to be below the average underwriting fee in the competitive market at the time of the sale. Based upon the level of the interest rates, the proposed fees, the number of the bids and our knowledge of the market conditions leading up to the sale, PFM believes the winning bid is in compliance with all the requirements set forth in the Official Notice of Sale and is a fair and competitive bid and we recommend the State accept the bids of the underwriting teams headed by both J. P. Morgan for the Series A Bonds and Morgan Keegan for the Series B Bonds.

The Managing Directors and Associates of Public Financial Management, Inc. wish to express our gratitude to the State for the opportunity to assist the State in the implementation and successful completion of this transaction. It was a pleasure to work with you, and your financing team, and we look forward to having the opportunity to serve the State again in the future.

Sincerely,

PUBLIC FINANCIAL MANAGEMENT, INC.

Marlin L. Mosby
Managing Director



State of
Tennessee

Impact of State Budgetary Crisis on State GO Bond Interest Rates

General Obligation Bonds, Series 2002 A and Series 2002 B

Year	YTM Based upon Pre-1999 Avg. Delphis	YTM Based upon 1999 - 2000 Avg. Delphis	Spread of 1999 - 2000 YTM over Pre-1999 YTM in b.p.	YTM of 2002 Series A Bonds	Spread of 2002 YTM over 1999 - 2001 YTM in b.p.	Spread of 2002 YTM over Pre- 1999 YTM in b.p.
2003	1.520%	1.550%	3.00	1.690%	14.00	17.00
2004	2.250%	2.270%	2.00	2.420%	15.00	17.00
2005	2.820%	2.830%	1.00	2.960%	13.00	14.00
2006	3.150%	3.170%	2.00	3.280%	11.00	13.00
2007	3.500%	3.540%	4.00	3.620%	8.00	12.00
2008	3.700%	3.780%	8.00	3.820%	4.00	12.00
2009	3.890%	3.980%	9.00	4.010%	3.00	12.00
2010	4.020%	4.080%	6.00	4.150%	7.00	13.00
2011	4.140%	4.200%	6.00	4.260%	6.00	12.00
2012	4.240%	4.300%	6.00	4.360%	6.00	12.00
2013	4.350%	4.400%	5.00	4.507%	10.70	15.70
2014	4.490%	4.520%	3.00	4.643%	12.30	15.30
2015	4.600%	4.640%	4.00	4.753%	11.30	15.30
2016	4.690%	4.730%	4.00	4.844%	11.40	15.40
2017	4.780%	4.800%	2.00	4.918%	11.80	13.80
2018	4.850%	4.860%	1.00	4.957%	9.70	10.70
2019	4.880%	4.920%	4.00	5.000%	8.00	12.00
2020	4.940%	4.960%	2.00	5.050%	9.00	11.00
2021	4.970%	4.990%	2.00	5.070%	8.00	10.00
2022	5.000%	5.010%	1.00	5.090%	8.00	9.00
Average Spread:			3.75		9.36	13.11
Total Debt Service on the Series 2002A Bonds				\$221,829,081	\$222,367,853	\$223,790,842
Increase in DS over Pre- 1999 YTM's					\$538,772	\$1,961,761

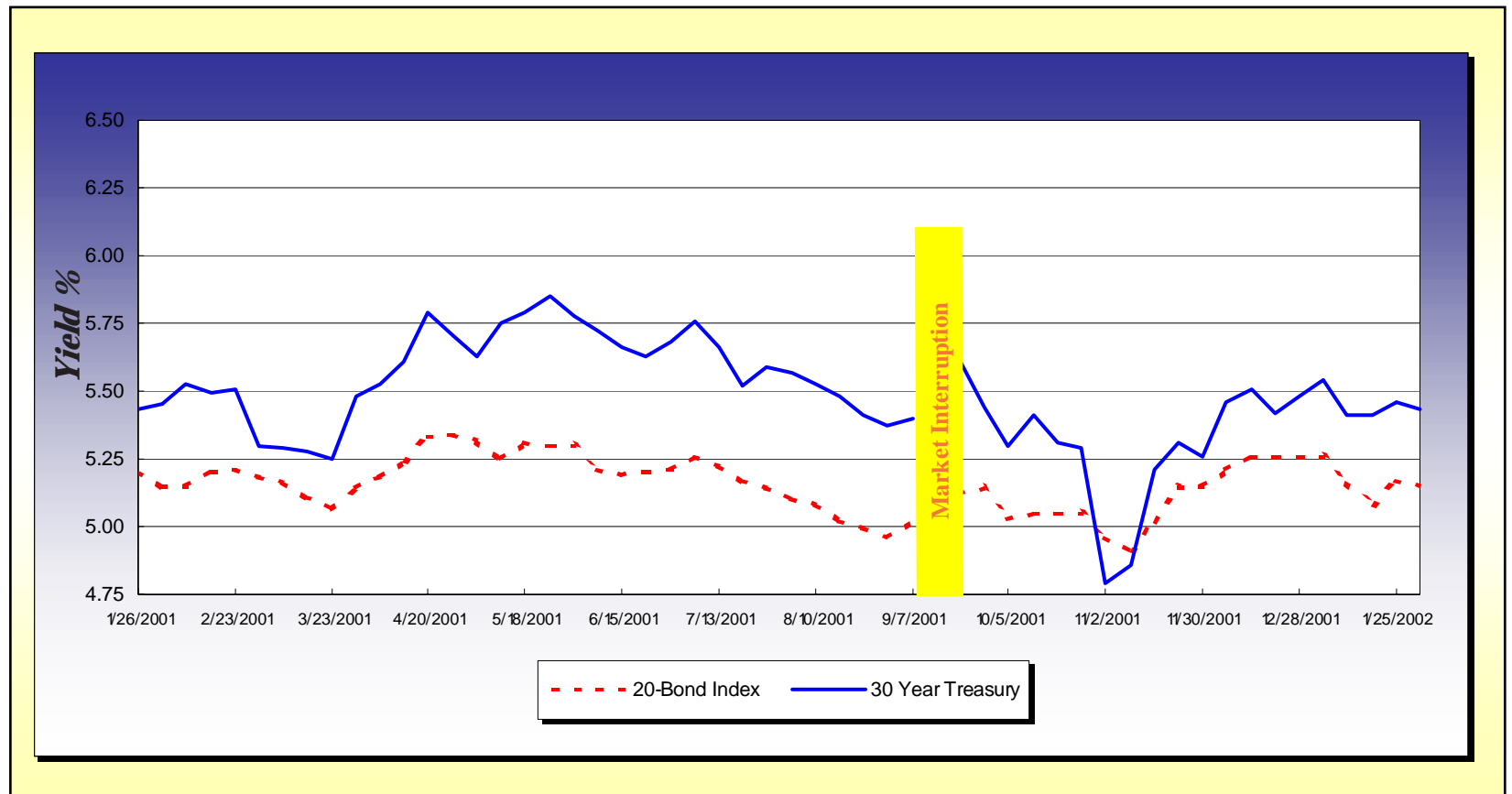


State of
Tennessee

The Bond Buyer 20 GO Bond Index vs. 30-Year Treasury Index

General Obligation Bonds, Series 2002 A and Series 2002 B

While taxable rates have fluctuated a great deal in the past twelve months, long term tax-exempt rates have traded in a relatively narrow band between 5.00 and 5.25%. At the time of the sale, tax-exempt rates were in the middle of this trading range. Historically, these rates are at or near their twenty year lows.

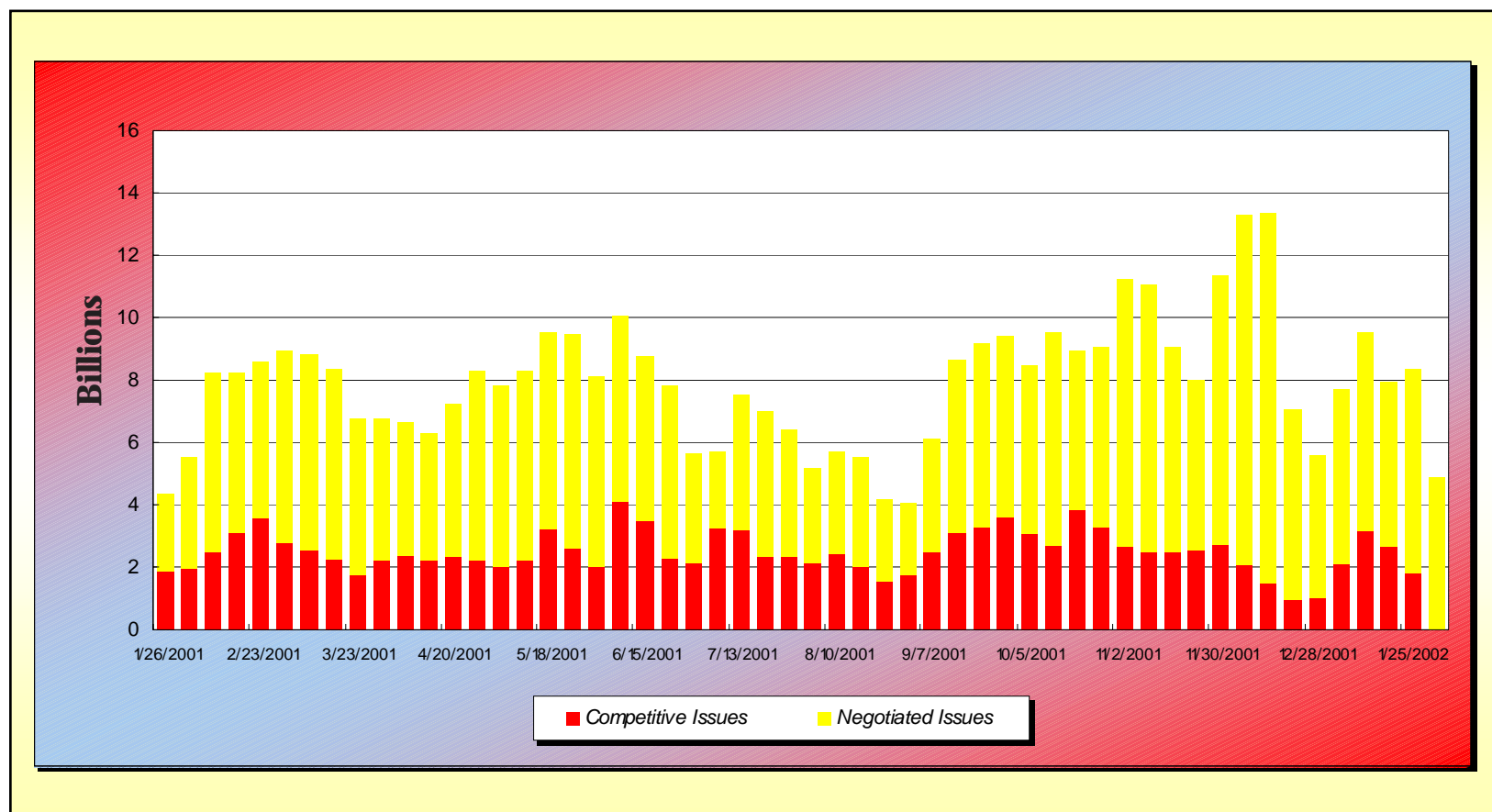




State of
Tennessee

The Bond Buyer Weekly Visible Supply

General Obligation Bonds, Series 2002 A and Series 2002 B



Supply of new tax-exempt bond issues since the first of January have been moderate, while the supply of investable funds have been large. As a result, the demand for tax-exempt securities have been greater than supply.





Previous Issues – Series 2002 A

General Obligation Bonds, Series 2002 A and Series 2002 B

State of
Tennessee

SERIES 2002 A

Priced:
1/31/2002

Close Date:

Competitive
sold to
J.P. Morgan

Call
Provisions:
2/1/2012
@ 100%

Ratings:
AA
Aa2
AA

Insured by:
FGIC

FINAL SCALE			Yield to	Delphis on	Municipal Market Data	spread to YTM
Maturity	Par	Coupon	Maturity	YTM	AAA GO Ylds	(b.p.)
02/01/03	7,530,000	3.000%	1.690%	96.00	1.600%	9.00
02/01/04	7,530,000	5.000%	2.420%	95.50	2.400%	2.00
02/01/05	7,530,000	5.250%	2.960%	96.00	2.910%	5.00
02/01/06	7,530,000	5.250%	3.280%	96.50	3.230%	5.00
02/01/07	7,530,000	5.250%	3.620%	97.00	3.570%	5.00
02/01/08	7,530,000	5.250%	3.820%	97.50	3.770%	5.00
02/01/09	7,530,000	5.250%	4.010%	97.50	3.960%	5.00
02/01/10	7,530,000	5.250%	4.150%	97.00	4.100%	5.00
02/01/11	7,530,000	5.250%	4.260%	97.00	4.200%	6.00
02/01/12	7,530,000	5.000%	4.360%	97.00	4.300%	6.00
02/01/13	7,530,000	5.000%	4.470%	97.00	4.420%	5.00
02/01/14	7,530,000	5.000%	4.590%	97.50	4.520%	7.00
02/01/15	7,530,000	5.000%	4.700%	98.00	4.630%	7.00
02/01/16	7,530,000	5.000%	4.800%	97.50	4.730%	7.00
02/01/17	7,530,000	5.000%	4.890%	97.50	4.820%	7.00
02/01/18	7,530,000	5.000%	4.940%	98.00	4.890%	5.00
02/01/19	7,530,000	5.000%	5.000%	97.50	4.940%	6.00
02/01/20	7,530,000	5.000%	5.050%	97.00	4.980%	7.00
02/01/21	7,530,000	5.000%	5.070%	97.00	5.000%	7.00
02/01/22	7,530,000	5.000%	5.090%	97.50	5.020%	7.00
Total	150,600,000					



Previous Issues – Series 2000 A

General Obligation Bonds, Series 2002 A and Series 2002 B

**State of
Tennessee**

Priced:
8/23/2000

Dated:
8/15/2000

Close Date:
9/7/2000

Competitive
won by
Merrill Lynch

Call
Provisions:
3/1/2010
@ par

TIC:
5.0210146%

Ratings:
AAA - Fitch
AA+ - S&P
Aa1 - Moody's

FINAL SCALE					
Maturity	Par	Coupon	Yield	Price	Delphis
09/07/00					
03/01/01	7,500,000	5.000%	4.200%	100.377	99
03/01/02	7,500,000	5.000%	4.330%	100.951	97
03/01/03	7,500,000	5.000%	4.350%	101.513	98
03/01/04	7,500,000	5.000%	4.390%	101.949	98
03/01/05	7,500,000	4.875%	4.430%	101.790	99
03/01/06	7,500,000	4.875%	4.480%	101.900	99
03/01/07	7,500,000	4.875%	4.530%	101.918	99
03/01/08	7,500,000	4.875%	4.580%	101.850	99
03/01/09	7,500,000	4.875%	4.630%	101.701	99
03/01/10	7,500,000	4.875%	4.690%	101.402	99
03/01/11	7,500,000	5.000%	4.790%	101.584	99
03/01/12	7,500,000	5.000%	4.890%	100.825	99
03/01/13	7,500,000	5.000%	4.990%	100.073	99
03/01/14	7,500,000	5.000%	5.090%	99.128	99
03/01/15	7,500,000	5.000%	5.180%	98.180	99
03/01/16	7,500,000	5.100%	5.250%	98.422	99
03/01/17	7,500,000	5.250%	5.290%	99.562	100
03/01/18	7,500,000	5.250%	5.340%	98.984	100
03/01/19	7,500,000	5.250%	5.370%	98.603	100
03/01/20	7,500,000	5.375%	5.400%	99.699	100
Total	150,000,000				

Municipal Market Data AAA GO Ylds	spread to Yield (b.p.)	Target Yield (%)	spread to Yield (b.p.)
4.230%	-3.00	4.25%	-0.05
4.310%	2.00	4.33%	0.00
4.330%	2.00	4.35%	0.00
4.370%	2.00	4.39%	0.00
4.410%	2.00	4.43%	0.00
4.460%	2.00	4.50%	-0.02
4.510%	2.00	4.54%	-0.01
4.560%	2.00	4.59%	-0.01
4.610%	2.00	4.63%	0.00
4.670%	2.00	4.69%	0.00
4.770%	2.00	4.79%	0.00
4.870%	2.00	4.89%	0.00
4.970%	2.00	5.00%	-0.01
5.070%	2.00	5.10%	-0.01
5.140%	4.00	5.17%	0.01
5.210%	4.00	5.24%	0.01
5.270%	2.00	5.30%	-0.01
5.310%	3.00	5.37%	-0.03
5.350%	2.00	5.38%	-0.01
5.380%	2.00	5.41%	-0.01



Previous Issues

General Obligation Bonds, Series 2002 A and Series 2002 B

State of
Tennessee

ISSUER ISSUE SALE DATE ISSUE SIZE	State of Tennessee General Obligation Bonds, Ser. 1991B 6/18/91 \$100,000,000		State of Tennessee G. O. Refunding Bonds, Ser. 1991A 6/18/91 \$52,325.000		State of Tennessee General Obligation Bonds, Ser. 1992A 7/9/92 \$120,100,000	
UNDERWRITER CALL FEATURES INSURANCE RATINGS	Kidder Peabody 10 yrs @ 101.5% N/A Aaa/AA+/AAA		Goldman Sachs 10 yrs @ 101.5% N/A Aaa/AA+/AAA		J. P. Morgan 10 yrs @ 101.5% N/A Aaa/AA+/AAA	
YEAR	SCALE	DELPHIS	SCALE	DELPHIS	SCALE	DELPHIS
1	4.50%	102			2.70%	99
2	5.20%	98	5.10%	100	3.55%	101
3	5.40%	98	5.40%	98	4.15%	98
4	5.60%	98	5.60%	98	4.35%	99
5	5.75%	100	5.80%	98	4.60%	99
6	5.85%	102	5.85%	102	4.75%	100
7	5.95%	101	5.95%	101	4.95%	100
8	6.05%	101	6.05%	101	5.10%	100
9	6.15%	101	6.15%	101	5.25%	100
10	6.25%	101	6.25%	101	5.35%	100
11	6.40%	100	6.35%	101	5.45%	100
12	6.50%	100			5.55%	100
13	6.60%	100			5.65%	100
14	6.70%	100			5.70%	100
15	6.75%	100			5.75%	100
16	6.80%	100			5.80%	100
17	6.85%	100			5.80%	102
18	6.85%	100			5.85%	100
19	6.85%	101			5.85%	102
20	6.85%	101			0.06%	102
21						
22						
23						
24						
25						



Previous Issues

General Obligation Bonds, Series 2002 A and Series 2002 B

State of
Tennessee

ISSUER ISSUE SALE DATE ISSUE SIZE	State of Tennessee General Obligation Bonds, Ser. 1994A 3/15/94 \$161,200,000		State of Tennessee General Obligation Bonds, Ser. 1995A 3/25/95 \$111,100,000		State of Tennessee G. O. Refunding Bds., Ser. 1996B 1/30/96 \$176,085,000	
UNDERWRITER CALL FEATURES INSURANCE RATINGS	CS First Boston Corp 10 yrs @ 101.5% N/A Aaa/AA+/AAA		J. P. Morgan 10 yrs @ par MBIA (2015) Aaa/AA+/AAA		J. P. Morgan 10 yrs @ par N/A Aaa/AA+/AAA	
YEAR	SCALE	DELPHIS	SCALE	DELPHIS	SCALE	DELPHIS
1	3.25%	98	4.30%	104	3.47%	100
2	3.85%	100	4.62%	98	3.65%	100
3	4.20%	100	4.70%	98	3.80%	100
4	4.40%	100	4.70%	102	3.95%	100
5	4.55%	100	4.80%	102	4.05%	100
6	4.70%	100	4.90%	102	4.15%	100
7	4.80%	100	5.00%	102	4.25%	100
8	4.90%	100	5.10%	100	4.35%	100
9	5.00%	100	5.15%	100	4.45%	100
10	5.10%	100	5.20%	102	4.55%	100
11	5.20%	100	5.30%	102	4.65%	100
12	5.30%	100	5.40%	102	4.75%	100
13	5.40%	100	5.45%	104	4.85%	100
14	5.45%	100	5.50%	104	4.95%	100
15	5.50%	100	5.55%	104	5.00%	100
16	5.55%	100	5.60%	104		
17	5.60%	100	5.65%	104		
18	5.65%	100	5.70%	101		
19	5.70%	100	5.75%	101		
20	5.70%	100	0.06%	101		
21						
22						
23						
24						
25						



Previous Issues

General Obligation Bonds, Series 2002 A and Series 2002 B

State of
Tennessee

ISSUER ISSUE SALE DATE ISSUE SIZE UNDERWRITER CALL FEATURES INSURANCE RATINGS	State of Tennessee General Obligation Bds., Ser. 1996A 1/30/96 \$113,200,000 Goldman Sachs 10 yrs @ par		State of Tennessee G. O. Refunding Bds., Ser. 1996C 1/30/96 \$14,880,000 Goldman Sachs 10 yrs @ par		State of Tennessee General Obligation Bds., Ser. 1997B 5/21/97 \$25,000,000 Morgan Keegan 10 yrs @ 101.5% N/A Aaa/AAA/AAA	
YEAR	SCALE	DELPHIS	SCALE	DELPHIS	SCALE	DELPHIS
1	3.42%	101	3.30%	101		
2	3.60%	101	3.60%	101		
3	3.80%	100	3.80%	100	4.40%	100
4	3.95%	100	3.95%	100	4.50%	102
5	4.05%	100	4.05%	100	4.60%	102
6	4.15%	100	4.15%	100	4.65%	102
7	4.25%	100	4.25%	100	4.70%	102
8	4.35%	100	4.35%	100	4.75%	102
9	4.45%	100	4.55%	100	4.80%	102
10	4.55%	100	4.65%	100	4.88%	101
11	4.65%	100	4.75%	100	4.95%	102
12	4.75%	100	4.85%	100	5.05%	102
13	4.85%	100	4.95%	100	5.15%	102
14	4.95%	100			5.20%	102
15	5.00%	100			5.25%	102
16	5.05%	100			5.30%	102
17	5.10%	100			5.35%	102
18	5.10%	100			5.40%	102
19	5.15%	100			5.45%	102
20	0.05%	100				
21						
22						
23						
24						
25						



Previous Issues

General Obligation Bonds, Series 2002 A and Series 2002 B

State of
Tennessee

ISSUER ISSUE SALE DATE ISSUE SIZE UNDERWRITER CALL FEATURES INSURANCE RATINGS	State of Tennessee General Obligation Bonds, Ser. 1997A 5/7/97 \$172,805,000 J. P. Morgan 10 yrs @ 101.5% N/A Aaa/AAA/AAA		State of Tennessee General Obligation Bonds, Ser. 1998A 5/7/98 \$120,600,000 Salomon Smith Barney 10 yrs @ 101.5% N/A Aaa/AAA/AAA		Average Delphis Indices For Previous State of Tennessee G. O. Bond Issues prior to downgrade anticipation
YEAR	SCALE	DELPHIS	SCALE	DELPHIS	DELPHIS
1					100.5
2	4.25%	102	3.77%	100	100.1
3	4.45%	102	3.95%	99	99.4
4	4.55%	102	4.10%	99	100.0
5	4.65%	102	4.20%	99	100.2
6			4.20%	100	100.8
7	4.80%	100	4.25%	100	100.5
8			4.35%	100	100.4
9			4.40%	100	100.4
10			4.45%	100	100.5
11	5.00%	101	4.50%	100	100.5
12	5.10%	101	4.60%	99	100.4
13			4.67%	100	100.7
14			4.77%	100	100.8
15			4.87%	100	100.8
16			4.93%	100	100.9
17			4.98%	100	101.1
18			5.03%	99	100.3
19	5.45%	101	5.05%	99	100.8
20	5.45%	101	5.08%	99	100.6
21			5.05%	99	99.0
22					
23					
24					
25					



Previous Issues

General Obligation Bonds, Series 2002 A and Series 2002 B

State of
Tennessee

ISSUER ISSUE SALE DATE ISSUE SIZE UNDERWRITER CALL FEATURES INSURANCE RATINGS	State of Tennessee General Obligation Bonds, Ser. 1998B 11/4/98 \$65,955,000 Merrill Lynch 9 yrs @ par N/A Aaa/AAA/AAA		State of Tennessee G.O. Refunding, Ser. 1999A 4/14/99 \$247,800,000 (Negotiated) Salomon Smith Barney Non-callable N/A Aaa/AAA/AAA		State of Tennessee G.O. Refunding, Ser. 1999B 6/17/1999 \$75,600,000 Competitive Morgan Stanley 5/1/2009 @ par N/A Aaa/AAA/AAA		Average Delphis Indices For State of Tennessee Tax-Exempt G. O. Bond Issues (Including Series 2000A)
YEAR	SCALE	DELPHIS	SCALE	DELPHIS	SCALE	DELPHIS	DELPHIS
1			3.05%	99.5	3.31%	102.0	100.2
2	3.40%	99	3.40%	100.0	3.85%	100.0	99.0
3	3.55%	99	3.52%	99.5	4.08%	98.5	98.8
4	3.65%	99	3.62%	99.5	4.20%	98.0	98.6
5	3.75%	99	3.75%	100.0	4.30%	98.0	99.0
6	3.90%	98	3.90%	98.0	4.40%	98.0	98.3
7	4.00%	98	3.98%	99.0	4.50%	98.0	98.5
8	4.05%	98	4.08%	99.0	4.60%	98.0	98.5
9	4.10%	98	4.17%	99.5	4.70%	98.0	98.6
10	4.20%	98	4.23%	99.0	4.78%	98.5	98.6
11	4.30%	98	4.35%	99.0	4.85%	100.0	99.0
12	4.38%	99	4.43%	99.5	4.95%	100.0	99.4
13	4.48%	99	4.48%	100.5	5.04%	99.0	99.4
14	4.58%	99	4.53%	101.5	5.09%	99.0	99.6
15	4.68%	99	4.57%	104.5	5.14%	99.0	100.4
16	4.75%	99	4.63%	104.5	5.19%	99.0	100.4
17	4.77%	100			5.21%	100.0	99.8
18	4.82%	100			5.24%	99.0	99.5
19	4.87%	100			5.26%	100.0	99.8
20	4.90%	100			5.26%	100.0	100.0
21							
22							
23							
24							
25							



Ratings

General Obligation Bonds, Series 2002 A and Series 2002 B

State of
Tennessee

AAA Ratings			
State	Moody's	Fitch	S & P
Delaware	Aaa	AAA	AAA
Georgia	Aaa	AAA	AAA
Maryland	Aaa	AAA	AAA
Michigan	Aaa	Aa+	AAA
Minnesota	Aaa	AAA	AAA
Missouri	Aaa	AAA	AAA
North Carolina	Aaa	AAA	AAA
South Carolina	Aaa	AAA	AAA
Utah	Aaa	AAA	AAA
Virginia	Aaa	AAA	AAA

A Ratings			
State	Moody's	Fitch	S & P
California	A1		A+ negative
Louisiana	A2	A	A stable
New York	A2		



Ratings

General Obligation Bonds, Series 2002 A and Series 2002 B

State of
Tennessee

Rating Agency	1998	2000	2001	2002
Fitch	AAA	AAA	AA	AA
Moodys	Aaa	Aa1	Aa2	Aa2 (negative outlook)
Standard & Poors	AAA	Aa+	AA	AA (credit watch negative implications)